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For Immediate Release  
March 11, 2005

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**FORMER NORTHRIDGE WATER DISTRICT ASSISTANT  
GENERAL MANAGER SENTENCED TO 21 MONTHS IN PRISON  
IN CONNECTION WITH TAX FRAUD SCHEME**

United States Attorney McGregor W. Scott announced that JERRY ALLEN NESS, 62, of Sacramento, was sentenced today by U.S. District Court Judge Garland E. Burrell, Jr. to 21 months in prison. As part of his sentence, NESS was also ordered to pay a fine of \$5,000 and to serve a two period of supervised release after his prison term.

NESS had pleaded guilty on October 25, 2004, to one count of tax evasion and one count of mail fraud, arising out of his conduct as Assistant General Manager of the Northridge Water District ("NWD"), from January 1999 through December 2002. His guilty pleas came in the midst of a jury trial, just after he completed his own testimony. As part of his guilty plea, NESS agreed that his sentence should be enhanced for committing perjury at trial, when he falsely denied knowing that he was evading federal taxes, and falsely denied making statements to other employees reflecting that knowledge.

The case is the product of a joint investigation undertaken by the Sacramento County District Attorney's Office, the Internal Revenue Service - Criminal Investigation Division, and the Federal Bureau of Investigation. Co-defendant DEWIGHT KRAMER, 80, of Sacramento, NESS' former supervisor as General Manager of the Northridge Water District, pleaded guilty on February 20, 2004, to one count of conspiring to defraud the IRS in connection with his role in the scheme. KRAMER cooperated with the Government's investigation, and was sentenced on November 12, 2004 to four months in prison and a \$15,000 fine. These cases were prosecuted by former Assistant U.S. Attorney James P. Arguelles.

NESS admitted as part of his plea that during this tenure as the NWD Assistant General Manager, NESS issued compensation for unused sick leave and vacation pay to its employees through accounts payable rather than payroll. As a result, no federal income taxes were withheld from this compensation, and no Form 1099s or other notifications were issued to the IRS.

During that same period, NESS received approximately \$119,627 in vacation "buy-back" payments and bonuses from NWD, all of which was run through the accounts payable system. NESS admitted that even though he knew that no taxes had been taken out of this compensation, he willfully caused these payments to be omitted from his federal income tax returns, and as a result knew that more federal income tax was owed than was declared on the income tax returns

he filed with the IRS. In total, during this three-year period NESS successfully evaded paying approximately \$36,143 in federal income taxes which he knew were lawfully due and owing.

In addition, NESS also admitted to participating in a scheme to defraud NWD by having NWD pay for personal purchases which he charged to a water district credit card. In total, NESS charged approximately \$1,933.46 to his NWD credit card for personal purchases, none of which was reimbursed.

U.S. Attorney Scott said: "The convictions and sentences in this case should serve as a stark reminder that accounting gimmicks intended to evade federal taxes are illegal. Those tempted to participate in such schemes should contemplate the prospect of a federal prison term." U.S. Attorney Scott thanked the Sacramento District Attorney's Office for its cooperation and support in the course of the investigation and prosecution.

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